

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 93-371-C - ORDER NO. 93-928 *lc*
OCTOBER 18, 1993

IN RE: Application of Challenger Network (SC),) ORDER
 Inc. for a Certificate of Pubic Convenience) APPROVING
 and Necessity.) CERTIFICATE

This matter comes before the Public Service Commission of South Carolina (the Commission) by way of the Application of Challenger Network (SC), Inc. (the Company) requesting a Certificate of Public Convenience and Necessity authorizing it to operate as a reseller of telecommunications services in the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-8-280 (Supp. 1992) and the Regulations of the Public Service Commission of South Carolina.

The Commission's Executive Director instructed the Company to publish, one time, a prepared Notice of Filing in newspapers of general circulation in the affected areas. The purpose of the Notice of Filing was to inform interested parties of the Company's Application and the manner and time in which to file the appropriate pleadings for participation in the proceeding. The Company complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. Petitions to Intervene were filed by Southern Bell Telephone and Telegraph

Company (Southern Bell) and the South Carolina Department of Consumer Affairs (the Consumer Advocate). Southern Bell subsequently moved to withdraw its Intervention in this Docket and was allowed to withdraw its Intervention. On September 28, 1993, the Applicant filed a letter with the Commission agreeing to revise its tariff to include maximum rate schedules with a price list reflecting the effective rates, to revise the maximum charge for directory assistance to \$0.65 per call, and to revise the late payment charge to 1.5% per month on any unpaid balance brought forward from the previous billing. By letter dated October 1, 1993, the Consumer Advocate indicated he would not participate in the proceeding.

The Company presented the verified testimony of Alton H. Parks, President of the Company, and William Staley, Vice-President of the Company, in support of its Application. Mr. Parks testified that the Company is a non-profit corporation organized and existing under the laws of the State of South Carolina. He testified that the Company intends to market its services as a fund-raiser for educational organizations. Mr. Parks explained that because of the Company's non-profit nature, its financial base is limited to its initial membership contributions, but that he agreed to personally provide whatever funds are necessary for the Company's initial South Carolina operations.

Mr. Staley explained the Company's request for authority to provide interexchange telecommunications services in South

Carolina as a non-facilities based reseller. He also described the Company's services and billing procedures.

Mr. Staley also explained the procedure the Company intended to use to assure that the educational institutions will benefit from the resold telecommunications services offered. He testified that the Company will receive 8% of the cost of services sold, as opposed to the total retail billings. Mr. Staley explained that a bank, acting as a trustee and escrow agent, will disburse the collected money to the Company and pay all taxes, the underlying carrier's charge, and all monies due the beneficiary organizations. Mr. Staley testified that Challenger will guarantee the beneficiary organizations a minimum of 10% of the net billings (before taxes) generated by collected long distance telephone billings, based upon minimum start-up volume in South Carolina.

After full consideration of the applicable law, the Company's Application, and the evidence presented by the Company, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. The Company is incorporated under the laws of the State of South Carolina as a non-profit corporation.
2. The Company seeks authority to operate as a non-facilities based reseller of interexchange services.
3. The Company has the capability and financial resources to provide the services as described in its Application.

CONCLUSIONS OF LAW

1. Based on the above findings of fact, the Commission determines that a Certificate of Public Convenience and Necessity should be granted to Challenger Network (SC), Inc. to provide intrastate service through the resale of intrastate Wide Area Telecommunications Services (WATS), Message Telecommunications Service (MTS), Foreign Exchange Service, Private Line Service, or any other services authorized for resale by tariffs of carriers approved by the Commission.

2. The Commission adopts a rate design for the Company for its resale services which includes only maximum rate levels for each tariff charge. Should the Company propose to offer operator and calling card calls, Challenger Network (SC), Inc. may not impose a fixed operator service charge more than the intrastate charges then currently approved for AT&T Communications, and for the usage portion of the call, the Company may not charge more than the intrastate rates charged by AT&T Communications at the time such call is completed. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. In Re: Application of GTE Sprint Communications Corporation, etc., Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

3. Challenger Network (SC), Inc. shall not adjust its rates below the approved maximum level without notice to the Commission and to the public. The Company shall file its proposed rate

changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. In Re: Application of GTE Sprint Communications, etc., Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp. 1992).

4. The Company shall file its tariff and an accompanying price list to reflect the Commission's findings and the agreement set forth in the letter of September 28, 1993, within thirty (30) days of the date of this Order. The tariff shall be filed with the Commission in a loose-leaf binder.

5. Challenger Network (SC), Inc. is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers should be treated similarly to facilities-based interexchange carriers.

6. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if they so desire.

7. The Company shall resell the services of only those

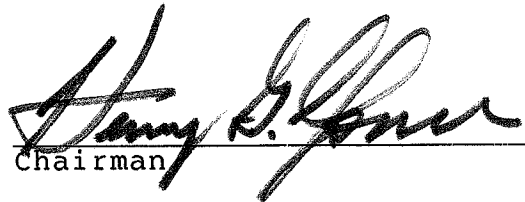
interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Challenger Network (SC), Inc. changes underlying carriers, it shall notify the Commission in writing.

8. The Company shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3, 1993) for the provision of intrastate intraLATA services.

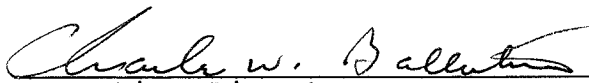
9. The Company shall file surveillance reports on a calendar or fiscal year basis with the Commission as required by Order No. 88-178 in Docket No. 87-483-C. The proper form for these reports is indicated on Attachment A.

10. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:


Executive Director

(SEAL)

ANNUAL INFORMATION ON SOUTH CAROLINA OPERATIONS
FOR INTEREXCHANGE COMPANIES AND AOS'S

- (1) SOUTH CAROLINA OPERATING REVENUES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (2) SOUTH CAROLINA OPERATING EXPENSES FOR THE 12 MONTHS ENDING
DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (3) RATE BASE INVESTMENT IN SOUTH CAROLINA OPERATIONS* FOR 12
MONTHS ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.

*THIS WOULD INCLUDE GROSS PLANT, ACCUMULATED DEPRECIATION,
MATERIALS AND SUPPLIES, CASH WORKING CAPITAL, CONSTRUCTION
WORK IN PROGRESS, ACCUMULATED DEFERRED INCOME TAX,
CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER DEPOSITS.

- (4) PARENT'S CAPITAL STRUCTURE* AT DECEMBER 31 OR FISCAL YEAR
ENDING _____.

*THIS WOULD INCLUDE ALL LONG TERM DEBT (NOT THE CURRENT
PORTION PAYABLE), PREFERRED STOCK AND COMMON EQUITY.

- (5) PARENT'S EMBEDDED COST PERCENTAGE (%) FOR LONG TERM DEBT AND
EMBEDDED COST PERCENTAGE (%) FOR PREFERRED STOCK AT YEAR
ENDING DECEMBER 31 OR FISCAL YEAR ENDING _____.
- (6) ALL DETAILS ON THE ALLOCATION METHOD USED TO DETERMINE THE
AMOUNT OF EXPENSES ALLOCATED TO SOUTH CAROLINA OPERATIONS AS
WELL AS METHOD OF ALLOCATION OF COMPANY'S RATE BASE INVESTMENT
(SEE #3 ABOVE).